

This is an unofficial translation and reference material designed to help you understand the transfer pricing documentation in Japan; thus, no liability is accepted. To ensure the accuracy, reliability, or current validity of the contents of this translation, please consult the original Japanese texts of laws and regulations.

Outline of the Revision of the Transfer Pricing Documentation

June 2016
National Tax Agency

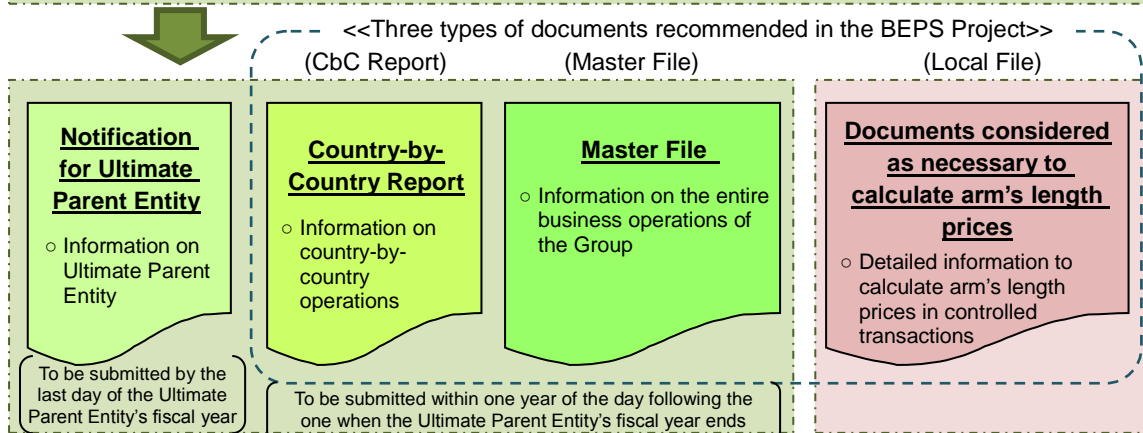
Based on the recommendations of OECD's Base Erosion and Profit Shifting (BEPS) Project (Action 13: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting), the Act on Special Measures Concerning Taxation was partially revised as part of the tax reform in FY2016, putting the transfer pricing documentation in place as follows:

This leaflet outlines principal items in the revision of the transfer pricing documentation .

1. Documents to be prepared by multinational enterprise groups [new] P2-6

All Japanese corporations and foreign corporations with permanent establishments (hereinafter referred to as "PE") that is a Constituent Entity of a multinational enterprise (MNE) group with a total consolidated revenue of 100 billion yen or more in the preceding fiscal year (Specified MNE Group) must submit a Notification for Ultimate Parent Entity, a Country-by-Country Report, and a Master File to the national tax authorities through the online national tax return filing and tax payment system (e-Tax).
* Details of the filing obligation and reporting entity can be confirmed in **the Flow of Submission on page 2**.

This revision applies to the below-listed reports (notifications) for the Ultimate Parent Entity's fiscal year that begins on April 1, 2016 or thereafter.



2. Documents to be prepared by corporations engaged in controlled transactions [revised] P7

Corporations engaged in below-listed transactions with one foreign-related party must prepare or obtain and store documents considered as necessary to calculate arm's length prices for the controlled transactions by the deadline for submission of final returns (so-called duty of contemporaneous documentation).

- (1) Controlled transactions (Note 1) whose total (for the previous business year (Note 2)) is five billion yen or more, or
- (2) Transactions of intangibles (Note 3) whose total (for the previous business year) is 300 million yen or more

(Note 1) "Controlled transactions" refer to the sale or purchase of assets, the provision of services, and other transactions conducted by corporations with foreign-related parties.

(Note 2) If there is no previous business year, the current business year shall apply.

(Note 3) Transactions of intangibles refer to the transfer or lending of intangible fixed assets such as patent rights, utility model rights and other intangible assets.

This revision applies to corporation tax for the business year that begins on April 1, 2017 or thereafter.

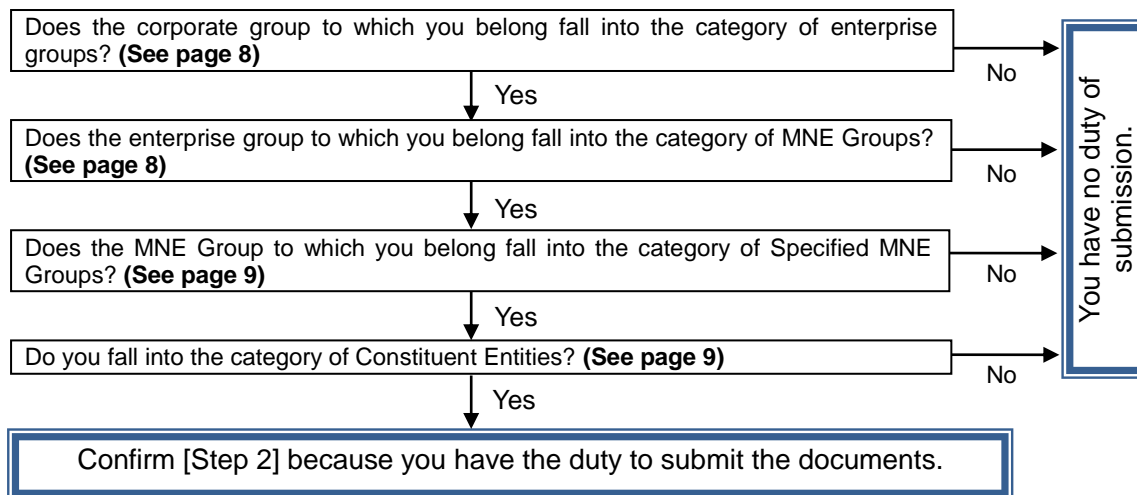
* For explanations about terms, etc. refer to page 8 and thereafter.

1. Documents to be prepared by MNE Groups [new]

(1) Duty to submit a Notification for Ultimate Parent Entity, a Country-by-Country Report, and a Master File

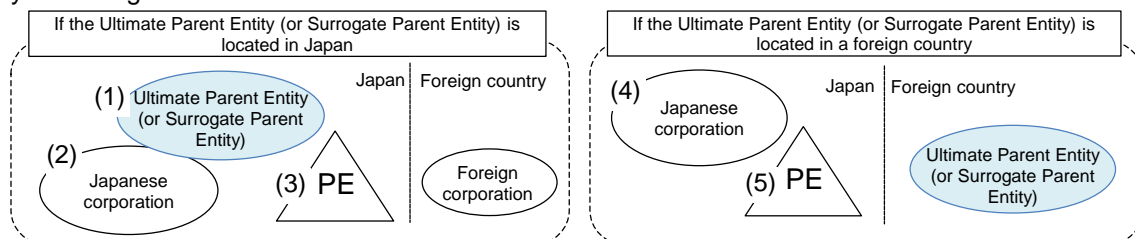
Whether corporations have the duty to submit a Notification for Ultimate Parent Entity, a Country-by-Country Report, and a Master File in Japan and what corporations must do so can be confirmed in the following flow of submission.

[Step 1] Duty of submission



[Step 2] Reporting entities to submit reports (notifications)

Confirm which of the two cases specified below applies to the Specified MNE Group to which you belong.



The table below uses circles to indicate reports (notifications) corporations must submit depending on which of the five types of cases numbered (1) to (5) applies to you. Confirm the outline of each report (notification) in the corresponding page.

Reports (notifications)		(1)	(2)	(3)	(4)	(5)	Corresponding page
Notification for Ultimate Parent Entity	In principle	○	○	○	In principle	○	Page 3
	Exception	○ (One representative company)			Exception	○ (One representative company)	
Country-by-Country Report					《Direct Filing》		Page 4
	In principle	○	×	×	In principle	×	
					《Local Filing》		
	In principle	○	×	×	In principle	○	
	Exception	○ (One representative company)			Exception	○ (One representative company)	
Master File	In principle	○	○	○	In principle	○	Page 6
	Exception	○ (One representative company)			Exception	○ (One representative company)	

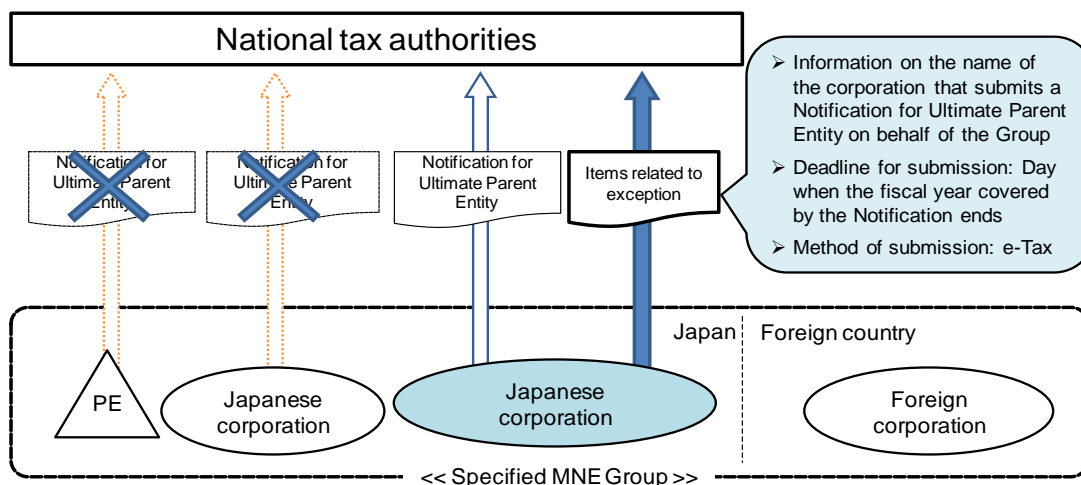
(2) Outline of the Notification for Ultimate Parent Entity

Japanese corporations or foreign corporations with PE that is a Constituent entity of a Specified MNE Group must submit a Notification for Ultimate Parent Entity, which includes information on the Ultimate Parent Entity and Surrogate Parent Entity, to the competent District Director via e-Tax by the day when the fiscal year covered by the Notification ends (Article 66.4.4 Paragraph 5 of the Act on Special Measures Concerning Taxation (hereinafter referred to as the "Act")).

In principle, if there are several Japanese corporations and foreign corporations with PE that must submit a Notification for Ultimate Parent Entity, all of them have the duty to do so. But as an exception, if one of the corporations submits information (Note) on those which it represents when it submits a Notification for Ultimate Parent Entity to the competent District Director via e-Tax by the day when the fiscal year covered by the Notification ends, the other corporations do not need to submit a Notification for Ultimate Parent Entity (Article 66.4.4 Paragraph 6 of the Act).

(Note) The major content of the information to be submitted is as follows (Article 22.10.4 Paragraph 10 of the Ordinance for Enforcement of the Act on Special Measures Concerning Taxation (hereinafter referred to as the "Ordinance")):

- Name of the corporation that submits a Notification for Ultimate Parent Entity on behalf of others, the location of its head and other offices, its corporate number, the name of its representative, etc.
- Names of corporations other than the one that submits a Notification for Ultimate Parent Entity on behalf of others, the location of their head and other offices, their corporate numbers, the names of their representative, etc.



[Outline of the Notification for Ultimate Parent Entity]

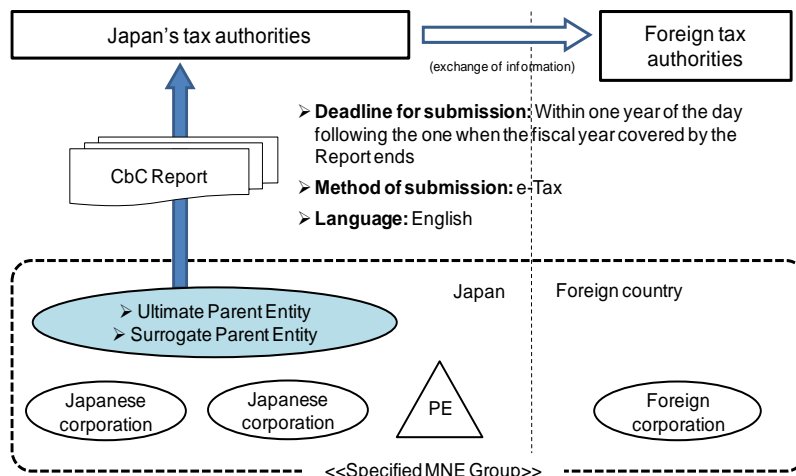
Reporting entity to submit it	Japanese corporations or foreign corporations with PE that is a Constituent Entity of a Specified MNE Group
Items to be notified	(1) Name of the Ultimate or Surrogate Parent Entity, (2) the location of its head or principal office (if the Ultimate Parent Entity resides in a foreign country, the location of its head or principal office or the site where its business is managed or controlled), (3) its corporate number, and (4) the name of its representative (Article 22.10.4 Paragraph 9 of the Ordinance)
Format of notification	http://www.nta.go.jp/taxes/tetsuzuki/shinsei/annai/hojin/annai/1607-4.htm (Japanese)
Deadline for submission	To be submitted to the competent District Director via e-Tax by the day when the Ultimate Parent Entity's fiscal year ends * <u>This deadline is earlier than those for the Country-by-Country Report and the Master File.</u>
Exemption from the duty of submission	MNE Groups with a total consolidated revenue for the Ultimate Parent Entity's preceding fiscal year of less than 100 billion yen
Start of application	Ultimate Parent Entity's fiscal year that begins on April 1, 2016 or thereafter

(3) Outline of the Country-by-Country (CbC) Report

If the Ultimate or Surrogate Parent Entity is located in Japan <Direct Filing>

Japanese corporations that is a Constituent Entity of a Specified MNE Group (limited to those which fall into the category of Ultimate or Surrogate Parent Entities) must submit a Country-by-Country (CbC) Report to the competent District Director via e-Tax within one year of the day following the one when the fiscal year covered by the Report ends (Article 66.4.4 Paragraph 1 of the Act).

In this case, the CbC Report is transmitted to the tax authorities in the country where the Constituent Entity resides according to the information exchange system based on tax treaties (This method is called "Direct Filing").



If the Ultimate and Surrogate Parent Entities are located in a foreign country <In principle, Direct Filing> <Exception: Local Filing>

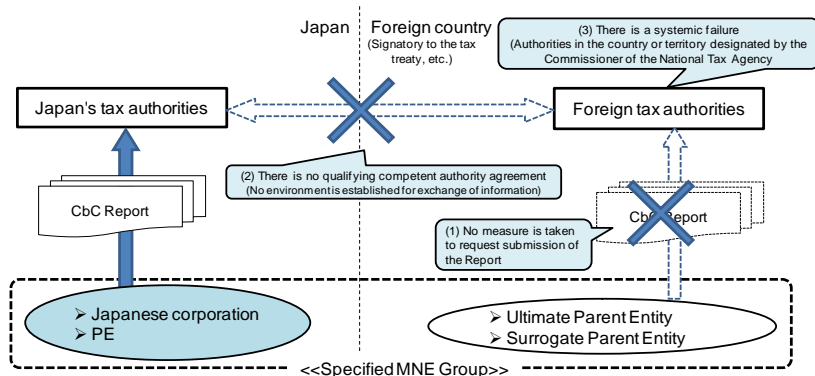
<In principle: Direct Filing>

In principle, if their Ultimate and Surrogate Parent Entities are located in a foreign country, Japanese corporations and foreign corporations with PE that is a Constituent Entity of a Specified MNE Group do not have the duty to submit a CbC Report because the information equivalent to the

CbC Report submitted by the Ultimate or Surrogate Parent Entity to the tax authorities in the country where it resides is transmitted by the tax authorities to the national tax authorities in Japan.

<Exception: Local Filing>

As an exception, if one of the cases (1) to (3) applies where the tax authorities in the country in which their Ultimate Parent Entity (Surrogate Parent Entity if appointed by the Ultimate Parent Entity) resides are considered as unable to transmit the information equivalent to the CbC Report to Japan, Japanese corporations or foreign corporations with PE that is a Constituent Entity of a Specified MNE Group (excluding those which fall into the category of Ultimate or Surrogate Parent Entities) must submit a CbC Report to the competent District Director via e-Tax within one year of the day when the fiscal year covered by the Report ends (This method is call "Local Filing") (Article 66.4.4 Paragraph 2 of the Act and Article 39.12.4 Paragraph 1 of the Order for Enforcement of the Act on Special Measures Concerning Taxation (hereinafter referred to as the "Order")).

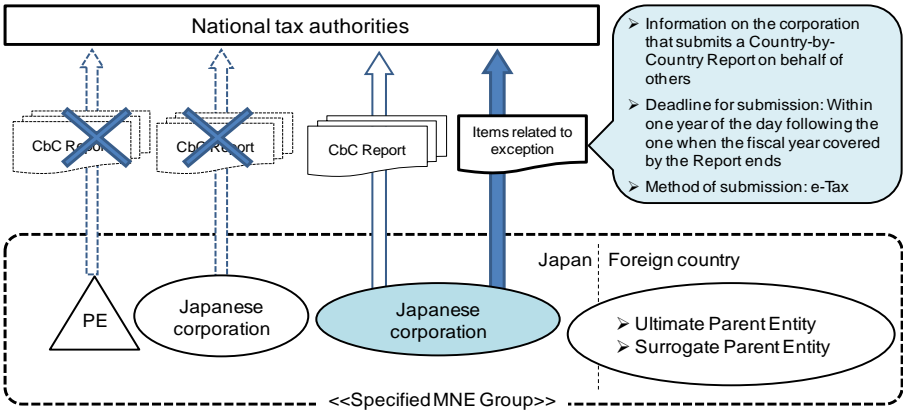


- (1) If the country (limited to signatories to the tax treaties; this applies to (2) and (3)) in which the Ultimate Parent Entity (Surrogate Parent Entity if appointed by the Ultimate Parent Entity; this applies to (2) and (3)) has not taken necessary measures to require the Entity to submit items equivalent to the CbC Report for the Ultimate Parent Entity's fiscal year
- (2) If there is no Qualifying Competent Authority Agreement (Note) between the Japanese Minister of Finance and the competent authorities in the country in which the Ultimate Parent Entity resides
- (3) If the country in which the Ultimate Parent Entity resides is designated by the Commissioner of the National Tax Agency as one of the countries or territories that are considered as unable to provide Japan with information equivalent to the CbC Report as required in Japan on the day when the Ultimate Parent Entity's fiscal year ends (excluding cases in which there is no Competent Authority Agreement (Note))

(Note) The "Qualifying Competent Authority Agreement" is an agreement concluded between the Japanese Minister of Finance and the competent authorities in a country or territory other than Japan on the method of mutually exchanging CbC Reports or information equivalent (Competent Authority Agreement) thereto which is actually valid on the day when one year passes from the day following the one when the Ultimate Parent Entity's fiscal year ends.

Even if case (1) or (2) above applies, the Japanese corporations(excluding those which fall into the category of Ultimate or Surrogate Parent Entities) and foreign corporations with PE do not need to submit a CbC Report for the Ultimate Parent Entity's fiscal year that begins between April 1, 2016 and March 31, 2017 as required in Local Filing.

In this case, if there are several Japanese corporations and foreign corporations with PE that must submit a CbC Report, Local Filing in principle requires all of them to submit a CbC Report. But as an exception, if one of the corporations submits information (Note) on the corporations it represents when it submits a CbC Report to the competent District Director via e-Tax within one year of the day following the one when the fiscal year covered by the Report ends, corporations other than the representative one do not need to submit a CbC Report (Article 66.4.4 Paragraph 3 of the Act).



(Note) The major content of the information to be submitted is as follows (Article 22.10.4 Paragraph 5 of the Ordinance):

- Name of the corporation that submits a CbC Report on behalf of others, the location of its head and other offices, its corporate number, the name of its representative, etc.
- Names of corporations other than the one that submits a CbC Report on behalf of others, the location of their head and other offices, their corporate numbers, the names of their representative, etc.

[Outline of the Country-by-Country Report]

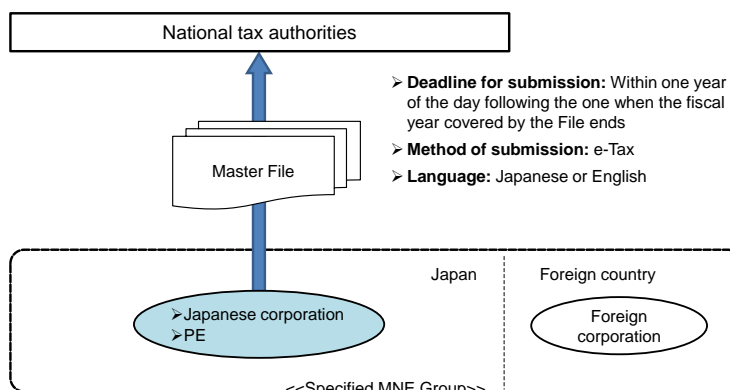
Reporting entity to submit it	<p><Direct Filing> Japanese corporations that are a Constituent Entity of a Specified MNE Group (limited to Ultimate or Surrogate Parent Entities)</p> <p><Local Filing> Japanese corporations or foreign corporations with PE that are a Constituent Entity of a Specified MNE Group (excluding Ultimate or Surrogate Parent Entities)</p>
Items to be reported	<p>Items to be reported on a tax jurisdiction-by-tax jurisdiction basis where the Constituent Entities of a Specified MNE Group conduct business are:</p> <ol style="list-style-type: none"> (1) Amounts of revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, and tangible assets other than cash and cash equivalents, as well as the number of employees (2) Names, Tax jurisdiction of organization or incorporation if different from tax jurisdiction of residence, and major business activity(ies) of the Constituent Entities (3) Items that are deemed as useful for those listed above <p>(Article 22.10.4 Paragraph 1 of the Ordinance)</p>
Format of reporting	http://www.nta.go.jp/taxes/tetsuzuki/shinsei/annai/hojin/annai/1607-5.htm (Japanese)
Deadline for submission	To be submitted to the competent District Director via e-Tax within one year of the day following the one when the Ultimate Parent Entity's fiscal year ends [Same as for Master Files]
Exemption from the duty of submission	MNE Groups with a consolidated total revenue for the Ultimate Parent Entity's preceding fiscal year of less than 100 billion yen [Same as for Master Files]
Language	English (Article 22.10.4 Paragraph 4 of the Ordinance)
Penalties	Fine of up to 300,000 yen if corporations fail to submit a CbC Report to the District Director by the deadline without good reason (Article 66.4.4 Paragraph 7 of the Act) [Same as for Master Files]
Start of application	Ultimate Parent Entity's fiscal year that begins on April 1, 2016 or thereafter [Same as for Master Files]

– The data format for a CbC Report is designated! –

In the Country-by-Country Report, it is necessary to use XML or CSV format when providing information in certain forms. Plans call for OECD to publish a schema and user guide for XML and the National Tax Agency to prepare specifications for CSV and publish them via its website. Prepare a Country-by-Country Report according to the specifications, etc.

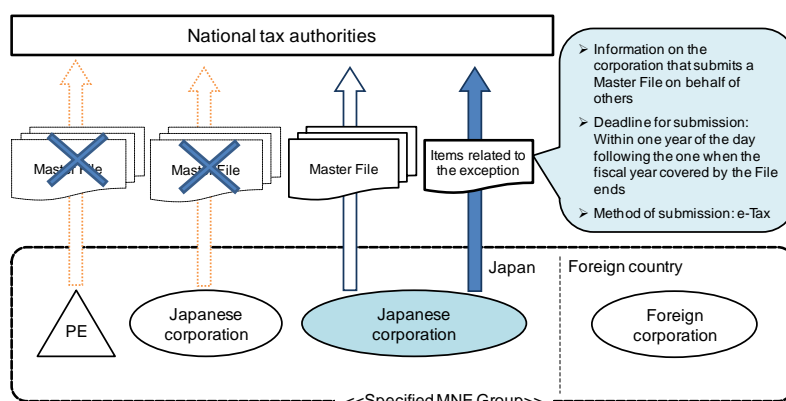
(4) Outline of the Master File

Japanese corporations or foreign corporations with PE that is a Constituent Entity of a Specified MNE Group must submit a Master File to the competent District Director via e-Tax within one year of the day following the one when the fiscal year covered by the File ends (Article 66.4.5 Paragraph 1 of the Act).



In principle, if there are several Japanese corporations or foreign corporations with PE that must submit a Master File, all of them have the duty to do so. But as an

exception, if one of the corporations submits information (Note) on the corporations it represents when it submits a Master File to the competent District Director via e-Tax within one year of the day following the one when the fiscal year covered by the File ends, corporations other than the representative one do not need to submit a Master File (Article 66.4.5 Paragraph 2 of the Act).



(Note) The major content of the information to be submitted is as follows (Article 22.10.5 Paragraph 3 of the Ordinance):

- Name of the corporation that submits a Master File on behalf of others, the location of its head and other offices, its corporate number, the name of its representative, etc.
- Names of corporations other than the one that submits a Master File on behalf of others, the location of their head and other offices, their corporate numbers, the names of their representative, etc.

[Outline of the Master File]

Reporting entity to submit it	Japanese corporations or foreign corporations with PE that are a Constituent Entity of a Specified MNE Group
Items to be reported	Organizational structure of the Specified MNE Group as well as the outline of its business operation and financial condition Other items as listed in the items of Article 22.10.5 Paragraph 1 of the Ordinance
Format of reporting	http://www.nta.go.jp/taxes/tetsuzuki/shinsei/annai/hojin/annai/1607-6.htm (Japanese)
Deadline for submission	To be submitted to the competent District Director via e-Tax within one year of the day following the one when the Ultimate Parent Entity's fiscal year ends [Same as for CbC Reports]
Exemption from the duty of submission	MNE Groups with a consolidated total revenue for the Ultimate Parent Entity's preceding fiscal year of less than 100 billion yen [Same as for CbC Reports]
Language	Japanese or English (Article 22.10.5 Paragraph 2 of the Ordinance) (Note)
Penalties	Fine of up to 300,000 yen if corporations fail to submit a Master File to the District Director by the deadline without good reason (Article 66.4.5 Paragraph 3 of the Act) [Same as for CbC Reports]
Start of application	Ultimate Parent Entity's fiscal year that begins on April 1, 2016 or thereafter [Same as for CbC Reports]

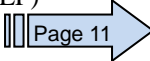
(Note) If the corporation submits a Master File in English, it may be requested to submit its Japanese translation as required.

2. Documents to be prepared by corporations engaged in controlled transactions [revised]

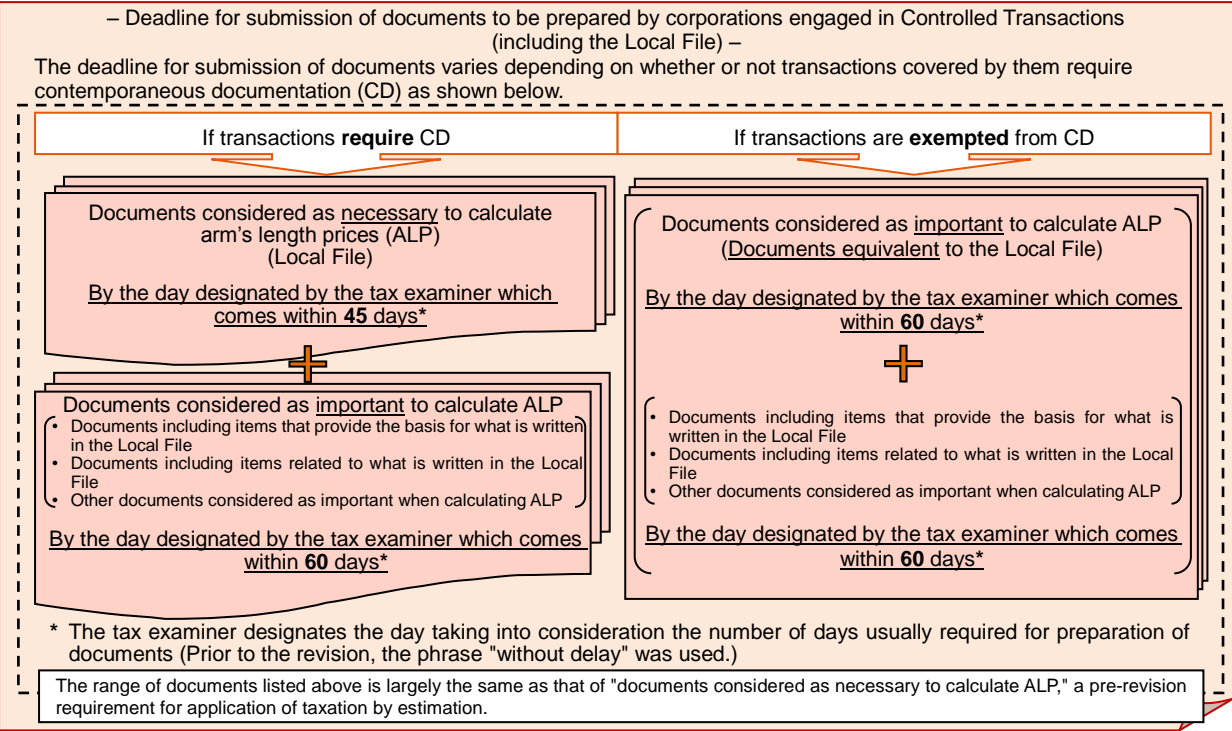
Outline of documents (Local File) considered as necessary to calculate Arm's Length Prices

Corporations engaged in Controlled Transactions must prepare or obtain and store documents considered as necessary to calculate Arm's Length Prices for the Controlled Transactions (including electromagnetic records; hereinafter referred to as the "Local File") by the deadline for submission of final returns (hereinafter referred to as the "Duty of Contemporaneous Documentation") (Article 66.4 Paragraph 6 of the Act).

[Outline of the Local File]

Person who has the duty of preparation	Corporations engaged in Controlled Transactions
Deadline for preparation	Deadline for submission of final returns
Documents to be prepared	Documents considered as necessary to calculate Arm's Length Prices (ALP) (Documents as listed in the items of Article 22.10 Paragraph 1 of the Ordinance) 
Period and place of storage	In principle, these documents must be stored in Japanese offices of corporations engaged in Controlled Transactions for seven years from the day the follows the deadline for submission of final returns (Article 22.10 Paragraph 2 of the Ordinance) (Note 1).
Exemption from the duty of Contemporaneous Documentation	In the cases listed below, corporations are exempted from the duty of contemporaneous documentation for Controlled Transactions with one foreign-related party during the current business year (Note 2). (1) If the amount of transactions (total of receipts and payments) with the foreign-related party during the previous business year (the current business year if there was not the previous one) was less than five billion yen, and (2) If the amount of transactions of intangibles (total of receipts and payments) with the foreign-related party during the previous business year (the current business year if there was not the previous one) was less than 300 million yen
Deadline for submission	Certain appointed day that comes after the day when a request for presentation or submission is made during the tax examination (Refer to the column below) * If the Local File is not presented or submitted by a certain appointed date, the tax authorities can impose tax by estimation and inspect persons engaged in similar businesses by asking questions.
Language	Not designated (Note 3)
Start of application	Business year that begins on April 1, 2017 or thereafter

- (Note 1) If the original copy of the File is available in Japan, it must be stored. If it is available outside Japan, its copy must be stored.
- (Note 2) Even if Controlled Transactions are exempted from contemporaneous documentation (hereinafter referred to as "Transactions exempted from CD"), they are subject to transfer pricing taxation, and therefore, the tax authorities may request corporations to present or submit a Local File in the course of tax examination.
- (Note 3) If the File is prepared in a non-Japanese language, the tax authorities may request corporations to submit its Japanese translation as required.



Reference: Explanations about terms

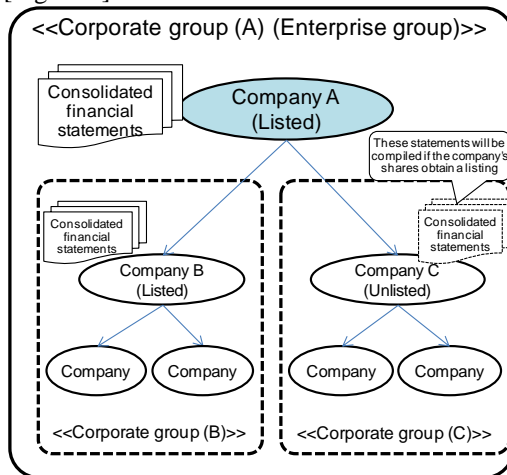
○ "Enterprise group" (Article 66.4.4 Paragraph 4 Item 1 of the Act and Article 39.12.4 Paragraph 2 of the Order)

Enterprise groups include the following:

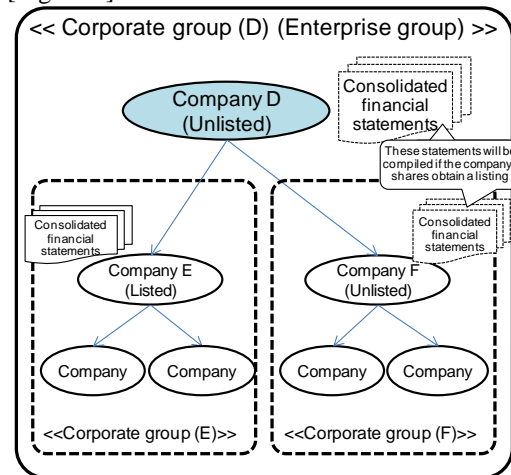
- Those of corporate groups for which consolidated financial statements are compiled, excluding those listed below
 - (1) Corporate group if the assets and profits/losses of the company that controls it (Note) is included in the consolidated financial statements for another corporate group <Corporate group (B) in Figure 1>
 - (2) Corporate group if the assets and profits/losses of the company that controls it is included in the consolidated financial statements that would be compiled if shares in the company that controls another corporate group obtained a listing on a financial instruments exchange or similar <Corporate group (E) in Figure 2>
- Those of corporate groups for which consolidated financial statements would be compiled if shares in the company that controls it obtained a listing on a financial instruments exchange or similar, excluding those listed below
 - (1) Corporate group if the assets and profits/losses of the company that controls it is included in the consolidated financial statements for another corporate group <Corporate group (C) in Figure 1>
 - (2) Corporate group if the assets and profits/losses of the company that controls it is included in the consolidated financial statements that would be compiled if shares in the company that controls another corporate group obtained a listing on a financial instruments exchange or similar <Corporate group (F) in Figure 2>

(Note) The company that controls an enterprise group refers to one of the companies in the group that has a majority of voting rights at other companies in the group on its own account, controls for other reasons the organ of other companies in the group that decides their financial, operating, and business policy (parent company), and does not have its parent company in the group.

[Figure 1]



[Figure 2]



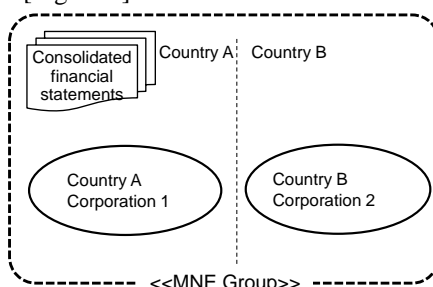
In Figures 1 and 2, Corporate groups (A) and (D) fall into the category of enterprise groups.

○ "Multinational Enterprise (MNE) Group" (Article 66.4.4 Paragraph 4 Item 2 of the Act and Article 39.12.4 Paragraph 3 of the Order)

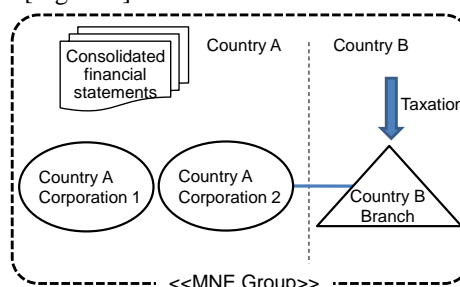
MNE Groups include the following enterprise groups:

- Enterprise groups whose Constituent Entities reside in two countries or more [Figure 1]
- Enterprises groups whose Constituent Entities all reside in the same country but have PE in countries or territories other than the country of residence and pay in the countries or territories corporate tax or similar levied on income that arises from businesses conducted through such establishments [Figure 2]

[Figure 1]



[Figure 2]



○ **"Specified MNE Group"** (Article 66.4.4 Paragraph 4 Item 3 of the Act)

Those of MNE Groups whose total revenue (Note) for the Ultimate Parent Entity's preceding fiscal year amounts to 100 billion yen or more fall into the category of Specified MNE Groups.

(Note) The total revenue refers to the sum of sales, revenues, and other incomes in the consolidated financial statements of the MNE Group (If consolidated financial statements are not available, it refers to the amount equivalent to the sum calculated based on documents that represent the status of assets and profits/losses of the MNE Group) (Article 22.10.4 Paragraph 7 of the Ordinance).

○ **"Constituent Entity"** (Article 66.4.4 Paragraph 4 Item 4 of the Act, Article 39.12.4 Paragraph 4 of the Order, and Article 22.10.4 Paragraph 8 of the Ordinance)

Constituent Entities include the following:

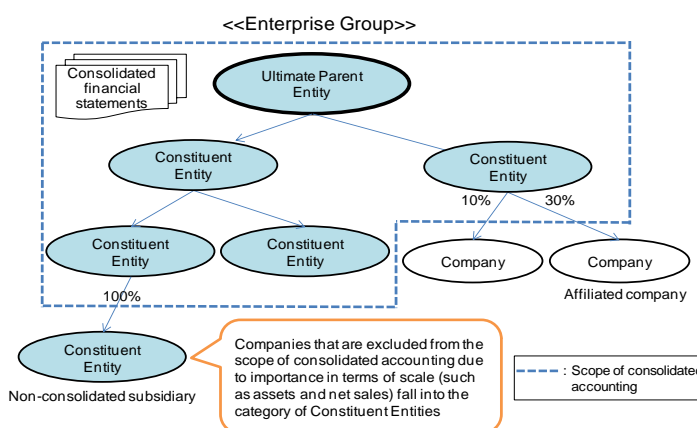
- Companies in a enterprise group whose assets and profits/losses are included in the group's consolidated financial statements
- Companies in a enterprise group that are excluded from consolidated accounting in the group's consolidated financial statements of
 - ⇒ Companies excluded from consolidated accounting because of their importance
- Companies in a enterprise group whose assets and profits/losses would be included in the consolidated financial statements that will be compiled if shares in the company that controls the group (Note) obtained a listing on a financial instruments exchange or similar
- Companies in a enterprise group that would be excluded from consolidated accounting in the group's consolidated financial statements that would be compiled if shares in the company that controls the group obtained a listing on a financial instruments exchange or similar
 - ⇒ Companies excluded from consolidated accounting because of their importance

(Note) The company that controls an enterprise group refers to one of the companies in the group that holds a majority of voting rights at other companies in the group on its own account, controls for other reasons the organ of other companies in the group that decides their financial, operating, and business policy (parent company), and does not have its parent company in the group.

○ **"Ultimate Parent Entity"** (Article 66.4.4 Paragraph 4 Item 5 of the Act and Article 39.12.4 Paragraph 5 of the Order)

Ultimate Parent Entities include the following:

- One of the Constituent Entities in a enterprise group that holds a majority of voting rights at other Constituent Entities in the group on its own account, controls for other reasons the organ of other Constituent Entities that decides their financial, operating, and business policy (parent company), and does not have its parent company in the group



○ **"Surrogate Parent Entity"** (Article 66.4.4 Paragraph 4 Item 6 of the Act)

One of the Constituent Entities other than the Ultimate Parent Entity in a Specified MNE Group that is designated by the Ultimate Parent Entity as an entity that submits a Country-by-Country Report or items equivalent to the Report to the tax authorities in the country where the Constituent Entity resides (limited to countries or territories other than the country where the Ultimate Parent Entity resides)

○ **"Ultimate Parent Entity's fiscal year"** (Article 66.4.4 Paragraph 4 Item 7 of the Act)

The Ultimate Parent Entity's fiscal year refers to a unit of period the Ultimate Parent Entity uses to calculate its assets and profits/losses.

○ **"Country of residence"** (Article 66.4.4 Paragraph 4 Item 8 of the Act)

The country of residence refers to the country or territory determined according to the categories of companies shown below.

(1) Companies that are stipulated by the laws and ordinances of a foreign country as ones on which tax equivalent to corporate tax shall be imposed because in the country they have their head office, principal offices, or sites where their business is managed and controlled and because they have similar sites there (excluding those defined in (3))	Foreign country concerned
(2) Companies with their head office or principal offices in a foreign country (excluding those defined in (1))	Foreign country concerned
(3) Companies with their head office or principal offices in Japan	Japan

○ Items of the Master File

Article 22.10.5 Paragraph 1 of the Ordinance (excerpts)

- Item 1: Names of Constituent Entities of the Specified MNE Group, the location of their head office or principal offices, and a chart illustrating the relationships between the Constituent Entities
- Item 2: General description of business of Constituent Entities of the Specified MNE Group, including the following:
- (a) Sales, income, and other important sources of profit of Constituent Entities of the Specified MNE Group
 - (b) Outline of the supply chain for the Specified MNE Group's five major goods, products or services (which refer to the succession of logistic processes that lead up to consumers; this also applies to (c)) as well as of geographical markets in which such goods, products or services are provided
 - (c) Outline of the supply chain for the Specified MNE Group's goods, products or services that represent 5% of total sales, revenues, or profits in its category or more as well as of geographical markets in which such goods, products and services are provided (excluding the items listed in (b))
 - (d) List of important agreements on the provision of services between Constituent Entities of the Specified MNE (excluding those related to research and development; this also applies to (d)) and the outline of the agreements (including the outline of policy to set the amount of compensation for the provision of services, that of policy to share the amount of expenses for the provision of services, and that of the functions of major bases where services are provided)
 - (e) Outline of the major functions fulfilled by Constituent Entities of the Specified MNE Group when creating value added, serious risks assumed by them (possible increases or decreases in profit or loss due to factors such as fluctuations in exchange markets and market interest rates and changes in economic situations), and major roles played by Constituent Entities when creating important assets to be used and other types of value added
 - (f) Outline of important business mergers, splits, transfers, and other acts involving Constituent Entities of the Specified MNE Group
- Item 3: Outline of the Specified MNE Group's comprehensive strategy for research and development, ownership, and use of its intangible fixed assets and other intangible assets (hereinafter referred to as "Intangibles" in sections up to Item 7 below) and the location of major facilities used for research and development of Intangibles and that of sites where such research and development are managed
- Item 4: List of important Intangibles used for transactions between Constituent Entities of the Specified MNE Group and of Constituent Entities that possess the Intangibles
- Item 5: List of important agreements between Constituent Entities of the Specified MNE Group on the sharing of expenses related to research and development of Intangibles, a list of important agreements on the provision of services for major research and development projects for the Intangibles, a list of important agreements on consent to use of the Intangibles, and a list of other important agreements on Intangibles between Constituent Entities
- Item 6: Outline of policy to set the amount of compensation for transactions related to R&D and Intangibles between Constituent Entities of the Specified MNE Group
- Item 7: Names of Constituent Entities of the Specified MNE Group which are involved in the transfer of important Intangibles (including equity for the Intangibles; this also applies to the rest of this item) between them, the location of their head office or principal offices, and the content of the Intangibles transferred, the amount of compensation, and other details of the transfer between the Constituent Entities
- Item 8: Outline of methods for Constituent Entities of the Specified MNE Group to procure funds (including the outline of important agreements on fund procurement from entities other than the Constituent Entities)
- Item 9: Names of those of Constituent Entities of the Specified MNE Group which fulfill pivotal financial functions in the group and the location of their head office or principal offices (including the name of the country or territory where laws and ordinances that govern the establishment of the Constituent Entities are enacted and that of the country or territory where sites are located in which their business is managed and controlled)
- Item 10: Outline of policy to set the amount of compensation for financing between Constituent Entities of the Specified MNE Group
- Item 11: Profits/losses and financial condition included in the consolidated financial statements of the Specified MNE Group (documents stating the profits/losses and financial condition of the Specified MNE Group if consolidated financial statements are not available)
- Item 12: Outline of arrangement for the method to calculate the amount of compensation for transactions between Constituent Entities of the Specified MNE Group that reside in different countries and other items related to the allocation of income between such Constituent Entities if such arrangement is made only by the competent authorities in the country where one of the Constituent Entities resides
- Item 13: Items that are useful for those listed in the Items above

○ Documents in the Local File

Article 22.10 Paragraph 1 of the Ordinance (excerpts)

Item 1: Documents describing the content of controlled transactions as stipulated in Article 66.4 Paragraph 1 of the Act (hereinafter referred to as "Controlled Transactions" in this paragraph), including the following:

- (a) Documents describing details of assets and the content of services related to the Controlled Transactions
- (b) Documents describing items related to the functions fulfilled by corporations as stipulated in Article 66.4 Paragraph 1 of the Act and foreign-related parties related thereto (which refer to foreign-related parties as stipulated in the same paragraph; this also applies to the rest of this paragraph) in the Controlled Transactions and risks (which refer to possible increases or decreases in the profits or loss of the Controlled Transactions due to fluctuations in exchange markets and market interest rates, changes in economic situations, and other factors; this also applies to the rest of this paragraph) assumed by the corporations and the foreign-related parties in the Controlled Transactions (If, due to the restructuring of the corporations' or foreign-related parties' business (which refers to mergers, splits, transfer of businesses or important business assets, and changes in business structure for other reasons; this also applies to the rest of (b)), a change takes place to the functions fulfilled by the corporations or the foreign-related parties in the Controlled Transactions or the risks assumed by the corporations or the foreign-related parties in the Controlled Transactions, the documents must include a description of the content of the business restructuring and that of changes in the functions and the risks)
- (c) Documents describing the content of intangible fixed assets and other intangible assets used by corporations as stipulated in Article 66.4 Paragraph 1 of the Act or foreign-related parties related thereto in the Controlled Transactions
- (d) Agreements related to, or documents describing the content of agreements on, the Controlled Transactions
- (e) Documents describing details of the amount of compensation received or paid by corporations as stipulated in Article 66.4 Paragraph 1 of the Act from or to foreign-related parties related thereto in the Controlled transactions, the method to set the amount of compensation received or paid, and the content of negotiations about such setting, as well as documents describing the method to calculate arm's length prices (which refer to those stipulated in the same paragraph; this also applies to the rest of this article) for the amount of compensation received or paid and the content of arrangement of items related to the Controlled transactions (including other transactions closely related thereto) if such arrangement is made by the competent authorities in countries or territories other than Japan (excluding cases in which such arrangement is made by the regional commissioner of the regional taxation bureau or the district director who has jurisdiction over the place where the corporations pay income tax)
- (f) Documents describing details of profits/losses for corporations as stipulated in Article 66.4 Paragraph 1 of the Act and foreign-related parties related thereto in the Controlled Transactions and the process in which the amount of profits/losses is calculated
- (g) Documents describing analyses of markets (including analyses of the effects of the characteristics of the markets on the amount of compensation and profits/losses in the Controlled Transactions) related to the sale or purchase of assets, the provision of services, and other transactions in the Controlled Transactions and other items related to the markets
- (h) Documents describing the content of business, business policy, and organizational structure of corporations as stipulated in Article 66.4 Paragraph 1 of the Act and foreign-related parties related thereto
- (i) Documents describing whether there are other transactions closely related to the Controlled Transactions as well as the content of the transactions and the circumstances under which the transactions are closely related to the Controlled Transactions

Item 2: Documents for corporations as stipulated in Article 66.4 Paragraph 1 of the Act to calculate arm's length prices for Controlled Transactions, including the following:

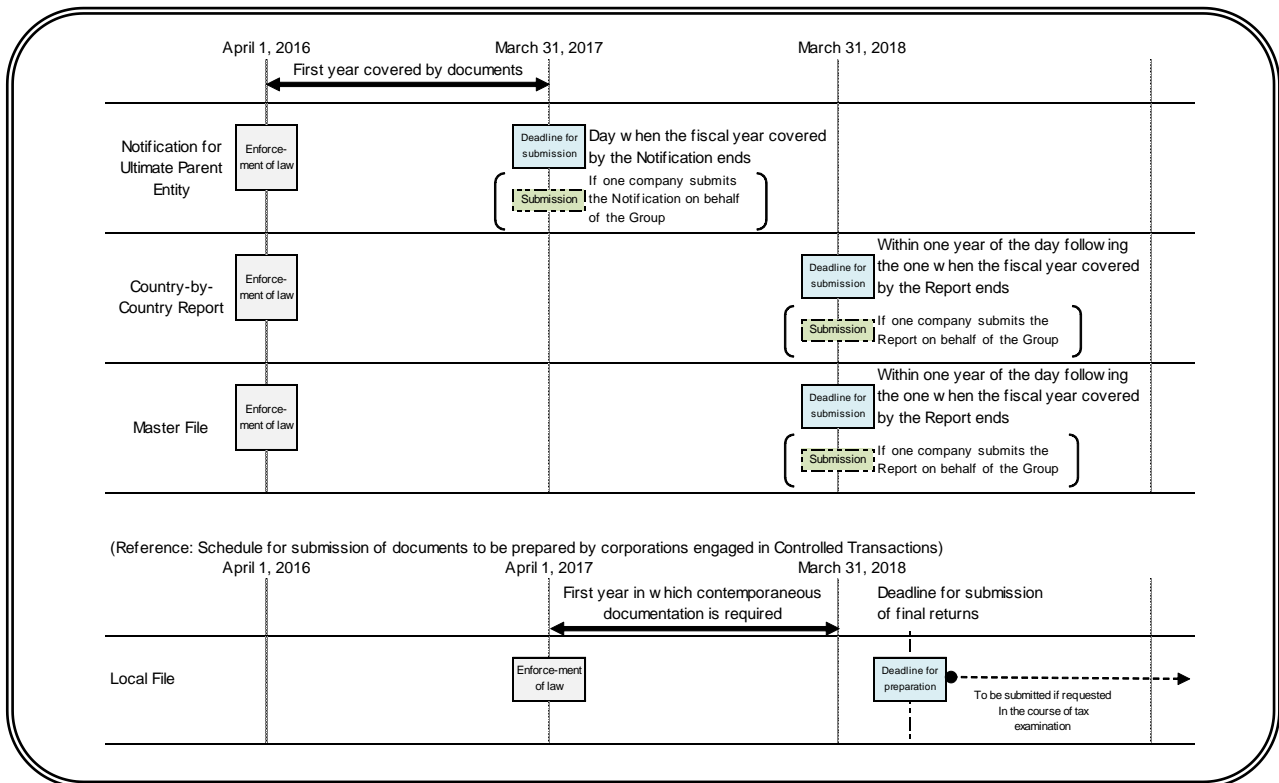
- (a) Documents describing the calculation method stipulated in Article 66.4 Paragraph 2 of the Act which is selected by the corporations, important prior conditions for such selection, and the reasons for such selection as well as other documents prepared by the corporations to calculate arm's length prices (excluding those listed in (b) to (e) below)
- (b) Documents describing items related to the selection of Comparable Uncontrolled Transactions used by the corporation for the Controlled Transactions (transactions in which sellers and buyers without special relationships with each other as stipulated in Article 66.4 Paragraph 2 Item 1(a) of the Act trade inventory assets similar to those related to Controlled Transactions under similar circumstances to those for the Controlled Transactions, Comparable Uncontrolled Transactions as stipulated in Article 39.12 Paragraph 6 of the Order, Comparable Uncontrolled Transactions as stipulated in Paragraph 7 of the same article, Comparable Uncontrolled Transactions as stipulated in Paragraph 8 Item 1(a) of the same article, Comparable Uncontrolled Transactions as stipulated in (c)(1) of the same item, Comparable Uncontrolled Transactions as stipulated in Item 2 of the same paragraph, Comparable Uncontrolled Transactions as stipulated in Item 3 of the same paragraph, Comparable Uncontrolled Transactions as stipulated in Item 4 of the same paragraph, and Comparable Uncontrolled Transactions as stipulated in Item 5 of the same paragraph; this also applies to the rest of this item) (including transactions equivalent to Comparable Uncontrolled Transactions related to the similar method listed in Article 66.4 Paragraph 2 Item 1(d) of the Act, transactions equivalent to Comparable Uncontrolled Transactions related to the method listed in Article 39.12 Paragraph 8 Item 6 of the Order, and transactions equivalent to Comparable Uncontrolled Transactions related to the method stipulated in Article 66.4 Paragraph 2 Item 2 of the Act; hereinafter referred to as "Comparable Uncontrolled Transactions" in the rest of this item) and details of the Comparable Uncontrolled Transactions (including financial information on the Comparable Uncontrolled Transactions)
- (c) Documents for the corporations to calculate the amount computed as one that belongs to the corporations and the foreign-related parties related thereto using the method listed in Article 39.12 Paragraph 8 Item 1 of the Order or the one listed in Item 6 of the same paragraph (limited to methods similar to the one listed in Item 1 of the same paragraph) if the method is selected by the corporations (excluding the documents listed in (b) and (e))
- (d) Documents describing the reason the corporations consider several Controlled Transactions as a single one and calculate an arm's length price for the transaction and the content of each transaction if they make such a calculation
- (e) Documents describing the reason differences are adjusted for Comparable Uncontrolled Transactions (adjustments as stipulated in Article 66.4 Paragraph 2 Item 1(a) of the Act, necessary adjustments as stipulated in Article 39.12 Paragraph 6 of the Order, necessary adjustments as stipulated in Paragraph 7 of the same article, necessary adjustments as stipulated in Paragraph 8 Item 1(a) of the same article, necessary adjustments as stipulated in (c)(1) of the same item, necessary adjustments as stipulated in Item 2 of the same paragraph, necessary adjustments as stipulated in Item 3 of the same paragraph, necessary adjustments as stipulated in Item 4 of the same paragraph, and necessary adjustments as stipulated in Item 5 of the same paragraph; this also applies to the rest of this item) (including adjustments equivalent to difference adjustments for the similar methods listed in Article 66.4 Paragraph 2 Item 1(d) of the Act, adjustments equivalent to difference adjustments for the method listed in Article 39.12 Paragraph 8 Item 6 of the Order, and adjustments equivalent to difference adjustments for the method stipulated in Article 66.4 Paragraph 2 Item 2 of the Act; hereinafter referred to as "Difference Adjustments" in the rest of this item) and the method to adjust such differences if such adjustments are made

(Note) Underlined words and phrases indicate those added in the tax reform of FY2016.

Example of the deadline for submission of the Notification for Ultimate Parent Entity, CbC Report, and Master File

The deadline for submission of the Notification for Ultimate Parent Entity is different from that for submission of the CbC Report and the Master File.

For example, the deadline for submission of reports (notifications) by Specified MNE Groups whose Ultimate Parent Entity settles its accounts in March of each year is as shown in the figure below.



○ The National Tax Agency provides information on this revision on its website (www.nta.go.jp).

○ If you have questions about this leaflet, please inquire to the Regional Taxation Bureau that supervises the place where you pay tax according to the categories listed below. When you inquire, please tell the officer answering your inquiry that you have questions about the transfer pricing documentation or want to talk with the officer in charge of international taxation.

[If you are a corporation supervised by the Large Enterprise Examination Division]

- Tokyo Regional Taxation Bureau: Transfer Pricing Division, First Large Enterprise Examination Department
- Osaka Regional Taxation Bureau: Transfer Pricing Division, First Large Enterprise Examination Department
- Nagoya Regional Taxation Bureau: Transfer Pricing Division, Large Enterprise Examination Department
- Kanto-Shinetsu Regional Taxation Bureau: International Examination of Large Enterprise Division, Large Enterprise Examination and Criminal Investigation Department
- Sapporo, Sendai, Kanazawa, Hiroshima, Takamatsu, Fukuoka, and Kumamoto Regional Taxation Bureaus: Management Division (Large Enterprise Examination), Large Enterprise Examination and Criminal Investigation Department
- Okinawa Regional Taxation Office: Large Enterprise Examination Division

[If you are a corporation other than those supervised by the Large Enterprise Examination Division]

- Sapporo, Sendai, Kanto-Shinetsu Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka Regional Taxation Bureaus: Corporation Taxation Division, Second Taxation Department
- Kanazawa, Takamatsu, and Kumamoto Regional Taxation Bureaus: Corporation Taxation Division, Taxation Department
- Okinawa Regional Taxation Office: Corporation Taxation Division

(Note) For the location and phone number of Regional Taxation Bureaus nationwide, see the page "http://www.nta.go.jp/about/organization/access/map.htm (Japanese) " on the National Tax Agency's website.